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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

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DRAFTED BY ARA/BC:JEKARKASHIAN:MWCOTTER:BJD

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ARA/BC:WLOWENTHAL

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FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ PRIORITY

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E.O. 11652:GDS

TAGS: PFOR, BL, US

SUBJECT: AMBASSADOR CAPRILES' CALL ON DEPARTMENT

SUMMARY: AMBASSADOR CAPRILES, ACCCOMPANIED BY FIRST SECRETARY RUTH FERNANDEZ AND ECONOMIC COUNSELOR JAIME DELGADILLO, CALLED ON ARA/BC COUNTRY DIRECTOR KARKASHIAN AND BC OFFICERS, FEBRUARY 12. DURING WIDE-RANGING TWO HOUR DISCUSSION, CAPRILES RAISED RENEWAL OF DIPLOMATIC RELATIONS BETWEEN BOLIVIA AND CHILE AND POSSIBLE U.S. STATEMENT THEREON. OTHER SUBJECTS COVERED INCLUDED MILITARY AND ECONOMIC ASSISTANCE. END SUMMARY.

1. AMBASSADOR CAPRILES REQUESTED FEBRUARY 12 MEETING IN ORDER TO PRESENT NEW ECONOMIC COUNSELOR JAIME DELGADILLO TO DEPTOFFS AND TO DISCUSS MATTERS OF BILATERAL INTEREST. CAPRILES BEGAN BY DRAWING ATTENTION TO CHARANA MEETING AND THE DECISION BY PRESIDENTS BANZER AND PINOCHET TO RENEW DIPLOMATIC RELATIONS. HE COMMENTED THAT DECISION REPRE-
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SENTED CONSIDERABLE CURRENT RISK TO BANZER GOVERNMENT BUT

THAT FUTURE BENEFITS COULD BE FAR REACHING. HE ASKED FOR DEPTOFFS VIEWS. KARKASHIAN SAID THAT RESUMPTION OF RELATIONS WITH CHILE WAS CERTAINLY A STEP FORWARD AND THAT WE WERE PARTICULARLY PLEASED TO NOTE PRESS REPORTS INDICATING BANZER HOPED PERU WOULD ATTEND FUTURE MEETINGS BETWEEN BOLIVIA AND CHILE. IN ENSUING DISCUSSION IT WAS GENERALLY AGREED THAT CHARANA DECLARATION COULD BE FIRST STEP FORWARD

IN BOLIVIAN ASPIRATION FOR GREATER ACCESS TO SEA AND THAT MAJOR EFFORT TO THAT END WOULD HAVE TO COME FROM COUNTRIES DIRECTLY INVOLVED. CAPRILES ADDED HE HOPED OTHER FRIENDLY GOVERNMENTS, INCLUDING U.S.G. WOULD LEND SUPPORT TO WHATEVER PROGRESS PARTIES DIRECTLY INVOLVED COULD GENERATE.

2. CAPRILES ASKED WHETHER USG WOULD BE MAKING STATEMENT ON CHARANA MEETING. KARKASHIAN EXPLAINED DEPARTMENT'S PRESS PRACTICES AND UNDERTOOK TO ASCERTAIN POSSIBILITY OF RELEASE ON USG VIEW OF CHARANA MEETING. AS AN ALTERNATIVE, CAPRILES SUGGESTED USG MIGHT WISH TO SEND MESSAGE TO BOLIVIAN AND CHILEAN FOREIGN MINISTERS. HE NOTED THAT RENEWAL OF DIPLOMATIC RELATIONS AFTER 13 YEARS WAS A MAJOR DEVELOPMENT OF INTEREST TO ALL HEMISPHERE COUNTRIES. HE ALSO POINTED OUT THAT VENEZUELAN PRESIDENT PEREZ PHONED CONGRATULATIONS TO BANZER. DEPTOFFS AGREED TO EXPLORE THE SUGGESTION.

3. CAPRILES INDICATED INTEREST IN CALLING ON ASSISTANT SECRETARY ROGERS TO DISCUSS SPECIFIC ASPECTS OF CHARANA MEETING AND LONG-TERM QUESTION OF RESOLVING BOLIVIAN ASPIRATIONS RE COASTAL ACCESS. CAPRILES SAID HE ALSO PLANNED RAISE THE SUBJECT OF THE SECRETARY'S PLANNED TRAVELS TO LATIN AMERICA, INDICATING HOPE SECRETARY WOULD VISIT BOLIVIA. KARKASHIAN INDICATED THAT WHILE NEITHER ITINERARY NOR EXACT TIMING OF TRIP HAD BEEN FINALIZED, HE DOUBTED SECRETARY WOULD BE ABLE TO TAKE ADVANTAGE OF ALL THE INVITATIONS RECEIVED TO DATE FROM L.A. GOVERNMENTS FOR SUCH A VISIT.

4. CAPRILES THEN SWITCHED DISCUSSION TO QUESTION OF MILITARY ASSISTANCE. HE SAID THAT HE HAD DELIVERED A
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DIPLOMATIC NOTE TO THE DEPARTMENT ON FEBRUARY 11 REQUESTING AN INCREASE IN BOLIVIA'S FMS CREDIT ALLOCATION FOR FY 75 FROM DOLS 4 MILLION TO A TOTAL OF DOLS 12 MILLION. DEPTOFFS ACKNOWLEDGED THE RECEIPT OF THE NOTE AND, AFTER OUTLINING THE PROCESS FOR DETERMINING FMS CREDIT LEVELS AND ALLOCATING FUNDS, SAID THAT THE BUREAU WAS PRESENTLY STUDYING HEMISPHERIC ALLOCATIONS AND WOULD NATURALLY TAKE INTO CONSIDERATION BOLIVIA'S REQUEST. KARKASHIAN PROMISED

TO KEEP THE AMBASSADOR INFORMED OF DEVELOPMENTS.

5. CAPRILES THEN TURNED TO ECONOMIC ASSISTANCE. HE APOLOGIZED FOR NOT BEING MORE FAMILIAR WITH THE SPECIFICS OF THE A.I.D. PROGRAM AND ASKED IF ARA/BC/B COULD BRIEF HIM ON DETAILS OF CURRENT AND PLANNED ASSISTANCE PACKAGES. HE ALSO SAID THAT THE GOB WOULD LIKE ANOTHER PADES-TYPE LOAN. DEPARTMENT OFFICERS AGREED TO PROVIDE SUCH BRIEFING AND OUTLINED CONGRESSIONAL STRICTURES ON A.I.D. LOANS

AND NOTED POTENTIAL ISSUES DERIVED FROM BOLIVIA'S MILITARY EXPENDITURES AND ITS FAVORABLE BALANCE OF PAYMENTS POSTURE.

6. IN PASSING, MS. FERNANDEZ RAISED QUESTION OF EX-IM BANK. CAPRILES INTERJECTED THAT HE WAS AWARE OF DEEP-ROOTED NATURE OF THIS PROBLEM BUT THAT HE WOULD LIKE TO WORK TOWARD A SOLUTION. KARKASHIAN NOTED THAT, AT THE VERY MINIMUM, IT IS IMPERATIVE THAT BOLIVIA MEET ALL PAYMENT SCHEDULES WITHOUT FAIL OR DELAY. CAPRILES RESPONDED THAT HE RECOGNIZES THE PAYMENT PROBLEM AND SAID THAT SIGNING OF THE IDB LOAN FOR THE COCHABAMBA REFINERY HAS BEEN DELAYED BECAUSE OF GOB TARDINESS IN MEETING OTHER IDB PAYMENTS. INGERSOLL

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